

Congress of the United States
Washington, DC 20515

May 9, 2018

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
Washington, D.C. 20220

Dear Secretary Mnuchin:

We are writing to request that your Department provide detailed background regarding your progress toward, and strategy for, enforcing financial sanctions against North Korea, pursuant to your obligations to execute U.S. law and implement U.N. Security Council resolutions.

President Trump has announced his intention to meet with North Korean leader Kim Jong-un, in the coming weeks, where he will attempt to negotiate North Korea's peaceful disarmament. The summit follows from a maximum pressure campaign of sanctions against North Korea made effective by unprecedented levels of international cooperation on the North Korean threat. "Maximum pressure" will be essential to giving the President leverage in this critical negotiation, and to forcing Kim to make the difficult decision between the survival of his regime and his arsenal of nuclear weapons.

We commend your Department's recent designation of North Korea and third-country targets that have facilitated Pyongyang's arms smuggling, proliferation, and money laundering. The actions against the Bank of Dandong and ABLV Bank of Latvia sent a clear and strong message to smaller financial institutions around the world that they may do business with North Korea or the United States, but not both.

We are concerned, however, that your Department has not sent that same message to larger financial institutions—particularly those in China that have been implicated in laundering North Korea's illicit funds. In August 2017, we wrote to you highlighting many of these institutions and emphasized to your Department the importance of holding Chinese financial institutions accountable for laundering funds associated with Pyongyang's proliferation and other illicit activities.

A recent report by the U.N. Panel of Experts charged with investigating violations of sanctions against North Korea finds that financial institutions in China, Europe, and Malaysia are "exerting insufficient scrutiny of the activities of bank representatives of [North] Korea residing in, or moving through, their territory." Recent Justice Department filings also continue to evidence dollar-denominated transactions through large Chinese banks that were cleared through U.S. jurisdiction.

Recent *Bloomberg News* reports that your Department opted to take no action against the Agricultural Bank of China and China Construction Bank, despite evidence that customers had used accounts at these banks to launder money for North Korea, are also greatly concerning. A


decision to take no action will undermine our government's efforts to enforce "maximum pressure" against larger financial institutions that have chosen to become safe havens for Pyongyang's money laundering. In fact, taking action against larger institutions may be even more critical than actions against smaller entities. Ensuring sanctions compliance by banks like the Agricultural Bank of China and China Construction Bank would have an important, chilling, impact on North Korea-related transactions across the Chinese economy.


As you know, in 2016, the U.S. Congress passed the North Korea Sanctions and Policy Enhancement Act (NKSPEA) by an overwhelming margin. That legislation was written after close consultation with the Financial Services Committee and with your Department. Section 104(a)(6) of the NKSPEA mandates the blocking of the property of "any person [who] knowingly, directly or indirectly, engages in money laundering ... that supports the Government of North Korea or any senior official or person acting for or on behalf of that Government." Anticipating the potential for this provision to cause unwanted shocks to the global economy, the Congress also provided for a national interest waiver in Section 208 of the NKSPEA.

Subsequently, Congress also passed Title III of the Countering America's Adversaries Through Sanctions Act (CAATSA). Section 311 of the CAATSA amends the NKSPEA to require the designation of any person that provides correspondent account services, whether directly or indirectly, to a North Korean financial institution. Section 312 of the CAATSA authorizes criminal penalties for such conduct, and thus implements a similar prohibition in paragraph 33 of United Nations Security Council Resolution 2270.

Simply stated, neither our nation's laws nor the U.N. Security Council's resolutions recognize any "too big to sanction" exemption. Our laws provide for a menu of tools to address financial crimes of varying levels of culpability by institutions of varying sizes. We look forward to your reply, as we believe that the timely and fuller enforcement of the maximum pressure campaign is essential to limiting the threat from North Korea's weapons of mass destruction.

Sincerely,


TED S. YOHO, D.V.M.
Chairman
Subcommittee on Asia and the Pacific


BRAD SHERMAN
Ranking Member
Subcommittee on Asia and the Pacific